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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE STATE OF BAHRAIN (1998-2001)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Bahrain outlines the focus of UNDP technical cooperation for the period 1998-2001. It is based on an assessment of the Government's development priorities and the proposed response of UNDP to them, consistent with the principles of sustainable human development (SHD). The CCF was prepared following intensive consultations with national partners and takes into account the experience gained from the fifth country programme for Bahrain, the recommendations of United Nations conferences, the mid-term review of the fifth country programme and various sectoral reviews.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Main development indicators. Bahrain is a small island State with a total population of 598,625 (1996). Current indicators show a population growth rate of 3.6 per cent, which is considered among the highest in the world. Its population profile, according to the 1991 census, indicates a total fertility rate of 3.2 per cent and a population density of almost 2,000 inhabitants per square mile, both of which also rank among the highest in the world. Accordingly, population considerations are an essential dimension of Bahrain's sustained economic growth and sustainable development.

3. Bahrain has made steady progress in achieving its overall development goals. The Human Development Report 1997 ranks Bahrain forty-third out of 175 countries, with a human development index (HDI) value of 0.870 (1994). Per capita income is estimated at $7,460 (1994). Social indicators reveal that Bahrain has enjoyed a marked improvement in quality of life. These achievements were facilitated by the early development of the oil industry, which financed investments in education and health services, as well as economic diversification. The development of a regional airline hub and the completion of a causeway to Saudi Arabia stimulated tourism, while the rapid growth of offshore banking boosted Bahrain's financial role. The ALBA aluminium smelter promoted downstream aluminium-based industries and the development of petrochemicals, laying the foundation for further downstream growth.

4. Challenges to sustainable development. Nevertheless, Bahrain's sustainable development is hampered by a number of factors, some of which it shares with its neighbours in the Gulf. These include:

(a) A small domestic market that renders Bahrain highly dependent on the export of its goods and services, and thus on the prosperity of the region, especially that of Saudi Arabia. Its economic base is therefore vulnerable and tied to the international oil market, resulting in severe fluctuations in the annual growth rate of its gross domestic product (GDP);

(b) SHD achievements are being undermined by a lack of income-generating opportunities. Basic problems are attributed to the slow growth of the economy and weak coordination between policies on education, skills development, wages and employment on the one hand, and national employment strategies on the other.

Another problem is the availability of relatively inexpensive foreign labour (60 per cent of Bahrain's labour force);

(c) A very youthful national population structure, where those under 15 years of age represent 40.9 per cent of the total population, means that the influx of nationals into the labour market will increase. The mismatch between the skills and salary expectations of this growing Bahraini potential labour force and employers' requirements for the skills and lesser costs of imported labour is a serious economic, social and political issue;

(d) Globalization and integration into the world economy presents significant challenges to the positioning of the country's economy as it enters the twenty-first century. Strategies for economic diversification and policies promoting favourable conditions for foreign investment are hampered by a small and vulnerable manufacturing sector that contributes only 17 per cent of GDP and the sharp competition that the financial sector now faces from within the region;

(e) Another challenge to the sustainability of Bahrain's development emanates from an endangered and fragile ecosystem, aggravated by rapid population growth. High population density creates pollution, which conflicts with the growing tourism industry's requirements for high standards of urban life and attractive coastal environments. Overfishing has led to an imbalance between supply and demand, and pollution from shipping continues to threaten the biodiversity of Bahrain's shallow coastal waters;

(f) Depletion of Bahrain's key natural resources, oil and water, is another critical problem for Bahrain. Bahrain's low oil reserves are expected to be exhausted in about seven years. Fresh water aquifers are under severe pressure from domestic and regional water mining, and resorting to desalinization as the main solution to water demand is a prohibitively expensive alternative.

5. National development objective and strategies. Following the Gulf war, the Government formed a high-level committee to draw up a long-term development strategy. The objectives and approach combined sound economic management and encouragement of entrepreneurial activity with public investment in economic and social infrastructure. The broad goal of the long-term strategy, as reflected in the Government's four-year development programme (1997-2000), is to increase production and improve the quality of life.

6. Human resources development and the enhancement of institutional capabilities have captured the concern of those who establish development policy in recent years, which has led to a new programme that aims at increasing the number of Bahraini nationals in the labour force.

7. The development strategy also stresses the role of the private sector in financing, building and operating key facilities in the field of infrastructure and social services. Such privatization initiatives are anticipated to open up new opportunities for Bahrainis. There is also an emphasis on improving economic efficiency by strengthening national capabilities for trade and international economic cooperation. In response to the challenges of

globalization and integration in the world economy, the Government has recently established a high-level national committee on the World Trade Organization (WTO) to address the intersectoral concerns and policy issues related to Bahrain's full membership in WTO by the year 2005.

8. In the field of the environment, the Government has been consistent in its commitment to sound resource management and conservation. A series of institutional and regulatory measures was recently introduced, including the establishment of a national Environmental Directorate and the preparation of a Plan of Action that will (a) take into account the efficient use of natural resources and their rates of regeneration and depletion and (b) consider the absorptive capacity of the environment and the conformity of technology with the requirements of sustainability. The Plan of Action calls for the cooperation of all agencies of the Government, civil society and the private sector, with the new Environmental Directorate as the focal point for the process.

II. RESULTS AND LESSONS OF PAST COOPERATION

9. The fifth country programme for Bahrain and its one-year extension, which covered the years 1993-1997, reflected the objectives of Bahrain's development strategy: (a) economic diversification; (b) resource conservation and environmental protection; and (c) human resource development. Several interventions were planned in support of these objectives. However, resource mobilization and utilization were below initial estimates, and as a result, some of the cost-sharing projects were under-funded. The Gulf war and the consequent declining grant and budget support from neighbouring countries resulted in drastic reductions in the Government's development and recurrent budget allocations, which, in turn, affected the timely implementation of various UNDP cost-sharing projects planned under the fifth country programme.

10. The mid-term review of activities under the fifth country programme confirmed the relevance of the goals and demonstrated impact of UNDP support in a number of key programme areas. In particular, UNDP assisted in the following areas: (a) strengthening the capabilities of the Ministry of Oil and Industry to promote industrialization and supporting small- and medium-scale industries; (b) establishing a groundwater monitoring and information system; (c) preparing a land-use plan for the year 2000; and (d) promoting the development of the mariculture industry.

11. The review also recognized the shift in the priorities by the Government due to the emerging socio-economic and political situation in the aftermath of the Gulf war. Pertinent to this shift was the stronger emphasis placed on the nexus between employment and human resources development. In response to the policy shift, UNDP was instrumental in assisting the Government in a comprehensive review of the educational system and the requirements of the labour market.

12. The following are the key lessons learned from the fifth programming cycle:

(a) New initiatives must be placed within an integrated programme approach, focusing more on linking sectoral and macroeconomic objectives with

the concerns of the Government, thus ensuring a higher level of strategic impact;

(b) Only through the provisions of high-quality development services and expertise can the relevance and comparative advantage of UNDP be advocated in a net contributor country, considering the country's ability to procure such technical services from other sources;

(c) All programmes must strongly promote the principle of government ownership, as emphasized by the use of the national execution modality;

(d) UNDP must strongly promote a holistic United Nations approach to development in a net contributor country such as Bahrain. To this end, programmes should be based on the strengthening of the resident coordinator system, in order to improve coordination, complementarity and advocacy with other development partners, particularly United Nations system organizations and Bretton Woods institutions.

III. PROPOSED STRATEGY AND THEMATIC AREAS

13. The Government recognizes the value and relevance of UNDP for supporting socio-economic development in Bahrain. Cooperation with UNDP is sought because of its high-quality programmes and its principles of neutrality and universality. The UNDP stand on SHD, which coincides with that of the Government of Bahrain, constitutes an essential dimension for advocacy and the formulation of strategic alternatives. The Government considers UNDP to be a source of technical and methodological guidance on policy development, a channel for networking and information sharing, and a facilitator of programme implementation efforts.

14. The Government recognizes the catalytic role of UNDP and its stewardship of multilateral coordination. Consequently, the Government considers the present CCF to be the primary framework for cooperation with the United Nations system. Acting as a leading upstream collaborator, UNDP is entrusted with the articulation of the necessary synergies among other United Nations agencies regarding the CCF. To this end, UNDP and the Government will collaborate in the follow-up implementation of the plans of action for United Nations global conferences.

15. Bahrain is a net contributor country, with the present CCF almost entirely funded by the Government. The design and implementation of the proposed interventions aim to achieve an effective overall partnership with the Government as well as to seek complementarity and linkages with the Regional Bureau for the Arab States' regional cooperation framework.

16. With these principles in mind, the strategy for partnership between UNDP and the Government will concentrate on: (a) strengthening institutional capacity for economic management; (b) aligning human resource development with sustainable livelihoods and employment generation; and (c) promoting environmental conservation and regeneration.

A. Strengthening institutional capacity for economic management

17. This area of concentration reflects the Government's commitment to the process of diversification of the economic base, support of private sector development, and the enhancement of trade and international economic cooperation. Enhanced integration within the Gulf Cooperation Council is also a key aspect of the Government's commitment to positioning Bahrain's economy for the coming era, and while most of the interventions in this area will be through the regional programme, the Globalization and WTO Membership Programme described in paragraph 22 below will contribute directly to the positioning of Bahrain within the Gulf Cooperation Council.

18. Labour-market analysis and monitoring. Under the Government's Programme of Action on Employment, UNDP will continue to assist in strengthening institutional capacity for human resources planning and coordination. The initial focus of the programme is on enhancing the capacity of the Ministry of Labour and Social Affairs to conduct labour market analyses and monitoring. Under this activity, which began in 1997, a computerized labour market information system is being established and staff are being trained to operate it. This programme was formulated with the assistance of the International Labour Organization; although the project will be executed nationally, the International Labour Organization has been designated as a cooperating agency for various components.

19. Small- and medium-scale enterprise policy framework. UNDP will assist the Government in the design of a policy framework and strategic programmes for the development of small- and medium-scale enterprises. UNDP and other United Nations agencies will play important roles in developing effective actions in the areas of industrial complementarity, labour market regeneration, training and credit.

20. Privatization and employment policies. The Government has requested that UNDP provide assistance in analysing and managing the linkages between employment policies and privatization.

21. Quality assurance standards and programmes. Quality assurance, a strategic factor in the production sector, is another area where coordination mechanisms will be developed and institutionalized with UNDP assistance. UNDP will assist the Government in putting into practice quality assurance systems that reflect international standards, including the establishment of a body that will supervise quality certification at the national level and be recognized internationally for that purpose. UNDP support in this area will facilitate Bahrain's integration into international scientific and technological information networks.

22. Globalization and WTO Membership Programme. The Government and the private sector recognize the importance of joint partnership and collaboration under the new rules of trade that will emanate from full implementation of WTO rules by the year 2005. Thus a programme to liberalize, deregulate and decentralize Bahrain's economy to enable the country to meet the demands of economic integration has been adopted by the Government. UNDP will assist with institution-strengthening and the establishment of efficient, results-oriented

public services training, as well as strengthening the Ministry of Trade's and the Chamber of Commerce and Industry's capacities to address WTO rules. UNDP will help to establish an information database on issues of subsidy practices by competitors, which will provide better information for dispute settlement procedures. Previous UNDP involvement in capacity-building activities relating to foreign trade strategies and policies will benefit the programme.

B. Aligning human resources development with sustainable livelihoods and employment generation

23. Issues of human resources development in Bahrain are closely linked to those of sustainable livelihoods and employment. The Government's new human resources development strategy calls for the implementation of three interrelated programmes of action on employment, education and vocational training. UNDP cooperation under the first CCF will focus on key aspects of these programmes of action, and especially on the interventions described in paragraphs 24-28 below.

24. Education and training strategies to enable Bahrainis to meet labour market requirements. UNDP will assist with strategic interventions to better align the educational and training system with short- and long-term labour market requirements. Such UNDP-assisted interventions will focus on enhancing coordination between the Ministries of Education, Labour and Social Affairs, and Finance and National Economy, on one hand, and the private sector, on the other hand. UNDP will assist with the transfer of international experience in integrated technological education as well as with the evaluation of commercial education standards and curricula.

25. Vocational training centre of excellence. The Government has developed a national training strategy in partnership with the private sector, the aim of which is to establish Bahrain as a centre of excellence for vocational training in the Gulf region. The goal of this strategy, in addition to meeting the needs of Bahrain's economy for a skilled and adaptable Bahraini workforce, is to attract revenue and other economic benefits, including the lowering of the per capita cost of training through economies of scale. Specific UNDP assistance will include: assessment of the regional educational and training market and training of trainers programmes in key vocational areas identified as having strong regional demand.

26. Micro-finance Programme for Entrepreneurs. This MicroStart programme to provide micro-finance facilities to Bahrain's small-business entrepreneurs is a major UNDP initiative under the first CCF. Based on a feasibility study by the UNDP Private Sector Development Programme, a three-year pilot programme will help up to 5,000 low-income entrepreneurs, particularly women, to start and expand their micro-businesses and to increase their incomes. The MicroStart's strategy will be used to: (a) build the capacities of at least five local non-governmental organizations (NGOs) to provide micro-finance services to economically active needy clients; (b) build the capacities of local technical service providers; and (c) contribute to local and global knowledge of the impact of micro-finance as part of the UNDP global MicroStart initiative.

27. Social development and sustainable livelihoods. Given the limited participation of Bahrainis in the labour market, it is not surprising that many Bahraini families require direct assistance from the Government under the Social Assistance Programme and/or from private philanthropic organizations. Bahrain's social development initiatives have for decades set the standard throughout the region and are credited with contributing to Bahrain's high rank on key HDI indicators. The Government has requested UNDP to assist in reviewing this sector and in conceptualizing a comprehensive social development strategy for the new millennium. The strategy will: (a) enhance the impact of government social programmes; (b) link them more directly to employment generation; (c) improve the efficiency of government social services delivery; and (d) strengthen the partnership between government and private (non-profit and for-profit) providers of social services. The social development strategy will be linked with the UNDP-supported Micro-finance Programme for Entrepreneurs and oriented towards enhancing the participation of women.

28. Gender issues and sustainable livelihoods. The gender dimension is treated as an integral part of the Government's employment programmes. Bahraini women make up only 34 per cent of Bahrain's public sector employment and only 13.3 per cent of private sector employment. Investing in women's capabilities contributes to sustained economic growth and reinforces the country's goal to increase the number of Bahrainis in the workforce, in addition to other development benefits. The development of employable skills for women and changing social and family attitudes towards women's roles are of high priority to the Ministry of Labour and Social Affairs, which fully concurs with the UNDP approach to gender issues.

C. Promoting environmental conservation and regeneration

29. This area of concentration will highlight collaboration between the Government and UNDP to fulfil the goals established by the United Nations Conference on Environment and Development, among other things, Agenda 21, by strengthening Bahrain's capacity to manage its natural resources in support of SHD. UNDP will support the newly established Environmental Directorate of the Ministry of Housing, Municipalities and Environment by acting as a catalyst in the design, monitoring and implementation of strategies and policies on environment.

30. Coastal zone management. UNDP technical assistance will emphasize capacity-building training programmes, institutional reinforcement, and monitoring and evaluation of coastal zones management efforts. As a small island developing State, Bahrain's coastal zones are invaluable for its economic sustenance and the Government has given widespread support for a system of integrated coastal zone management as the most effective mechanism for management of the marine environment. UNDP and Government will cooperate in the formulation of alternative approaches concerning the environmentally sound management of such activities, focusing on long-term policies, legislation and surveys, within the context of a National Plan for Coastal Zones Management.

31. Biodiversity conservation. Bahrain's exceptionally rich biodiversity is under threat from expanding human habitation and the degradation of natural

biomass through pollution and eroding range lands and watersheds. Bahrain has ratified the Convention on Biodiversity and is also a party to the Convention on Wetlands of International Importance, especially as a Waterfowl Habitat. Bahrain hopes to gain access to the Global Environment Facility Small Grants Programme to support activities of local NGOs and community-based organizations and intends to work with neighbouring countries in managing transitory bird routes. UNDP will assist with national capacity-building and the enhancement of public awareness.

32. Water resources conservation. UNDP will support policy development for the conservation of water and the protection of aquifers from salinity and depletion. The viability of Bahrain's urban and rural economic activities, human health, tourism, scarce land, and biodiversity are highly dependent on ensuring a sustainable water resource base for future generations. The Government is making every effort to control excess water use and the reuse of waste water is practised for the watering of municipal gardens, hedges and for fodder crops. Artificial recharge of treated water is being studied, and the water distribution network is being reviewed to control leakage. Furthermore, a tariff system controls household demands. UNDP experts will provide strategic advice on water policies and assist with the investigation of alternative water resources.

33. Energy conservation and fossil fuels. While Bahrain is a major producer of fossil fuels, it intends to increase energy efficiency and conservation in line with its general obligations under the United Nations Framework Convention of Climate Change. UNDP-assisted interventions will support activities such as the reduction of pollution and gas-flaring, the improvement of municipal waste management, and the promotion of the use of renewable energy sources. UNDP will also assist in formulation of legislation and guidelines to promote the efficient use of electricity supplies to commercial and residential buildings.

34. Global environmental issues. Bahrain ratified the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol in 1989, and was the first country in the Gulf region to join these global initiatives. With the assistance of UNDP and the United Nations Environment Programme, Bahrain developed a national programme on ozone-depleting substances, which was approved by the Montreal Protocol Executive Committee in 1996. This programme is in line with the Government's sustainable development strategy to reduce and control the consumption of ozone-depleting substances in refrigeration and air conditioning. UNDP will assist in the implementation of this initiative and will provide training, assist in institution-strengthening, promote public awareness, and establish a Halon Management Programme. The development and implementation of investment projects under this programme will be sought through a tripartite compact between Government, the private sector and UNDP.

IV. MANAGEMENT ARRANGEMENTS

35. The first CCF will be managed jointly by the Ministry of Foreign Affairs and the UNDP country office. Monthly meetings are planned between UNDP and the Ministries of Foreign Affairs and Finance and National Economy. The two

ministries will be responsible for endorsing project proposals and reviewing of ongoing programmes and projects.

36. All programmes will continue to be executed nationally, while at the same time taking maximum advantage of the expertise of United Nations specialized agencies and the management services of the United Nations Office of Project Services and the UNDP country office.

37. Programme monitoring and evaluation will be strengthened through: (a) regular tripartite reviews with counterparts; (b) annual in-depth programme review meetings, supported by in-depth evaluations as necessary; (c) regular monitoring visits by the UNDP country office and government counterpart institutions; and (d) the UNDP country office programme monitoring system.

38. Since Bahrain is a net contributor country, most development activities involving United Nations/UNDP cooperation are covered by non-core resources, namely, cost-sharing arrangements. Particular attention will be paid to continuing efforts to mobilize resources through: (a) increasing the amount of government cost-sharing resources; (b) cost-sharing and co-financing with other agencies, including the private sector; and (c) utilization of such UNDP non-core resources as the technical cooperation among developing countries modality, regional programme resources and trust funds.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR BAHRAIN (1998-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated carry-over	-	
TRAC 1.1.1	-	
TRAC 1.1.2	-	
Other resources	357	Special Programme Resources carry-over.
SPPD/STS	-	
Subtotal	357*	
NON-CORE FUNDS		
Estimated cost-sharing carry-over	(103)	Amount shown represents pending cost-sharing contributions.
Government cost-sharing	8 000	
Sustainable development funds	1 500	Montreal Protocol
Third-party cost-sharing	2 000	AGFUND and AFESD
Funds, trust funds and other	-	
Subtotal	11 397	
GRAND TOTAL	11 754*	

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; AFESD = Arab Fund for Economic and Social Development; and AGFUND = Arab Gulf Fund for United Nations Development Organizations.